

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple - Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Telephone: (801) 538-5291
Fax: (801) 359-3940

LARGE MINING OPERATIONS 2006 PROGRESS REPORT
January 1, 2006 to December 31, 2006

The information required in this form are based on provisions of the Mined Land Reclamation Act, Title 40-8, and the rules as under the Utah Minerals Regulatory Program.

1. Mine Permit Number: M 370040
2. Mine Name: Velvet Mine
3. Name of Operator/Permittee: U.S. Energy Corp

Note: If Operator's address, company representative or phone number have changed, please provide a replacement page to the Notice of Intention.

4. Mine Location: Section 3 T31S R25E San Juan County, UT

5. Report the gross amount of ore mined and waste moved, as well as the arrangement, positioning, or distribution of the material:

Gross Ore Mined 0 Tons, or 0 yd³
Waste Material Moved 0 Tons, or 0 yd³
New Disturbance 0 Acres during 2006
Area Reclaimed 0 Acres during 2006
Total Disturbed Area 21.9 Acres*
Was the ore shipped off site? If not, where is the ore located? N/A

Where is the waste located? N/A

*Total life of mine disturbance to the end of 2006.

6. Briefly describe the reclamation work performed during the past year. A map showing reclaimed areas and dates is suggested. (Submit form MR-SITE for an application for full or partial bond/site release).

Inspect as needed vegetation growth

7. Include an updated map depicting surface disturbance and reclamation performed during the year, prepared in accordance with Rule R647-4-105.

I hereby certify, under penalties of law, the information provided in this report is true and correct to the best of my knowledge and belief.

Name (Typed or Print): Fred Craft
Title of Operator: U.P. Eng
Signature of Operator: [Signature]
Date: 1/30/07

RECEIVED

FEB 01 2007

DIV. OF OIL, GAS & MINING

